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# Maryland Department of Natural Resources

## PAYGO Capital Budget Response

### Fiscal Year 2005

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#### DNR's Response To DLS' Recommendations

**A**s the State's fiscal condition has not improved, DNR's FY 2005 PAYGO Capital appropriation is impacted by legislation transferring proceeds from transfer tax-funded programs to the General Fund. In some programs, GO Bond funding is used to off set revenue losses from the fund transfers.

#### OVERVIEW ISSUES

**1. The Department of Legislative Services recommends the Department develop a long-term goal for land preservation in the State.**

The Governor recently announced "Maryland's Land Conservation Programs: Protecting the Chesapeake Bay Watershed"—a policy report specifically addressing the long-term goals for land preservation in the State. DNR is not the only agency involved in land preservation. The Governor's report was a collaborative effort by several departments to focus the State's land preservation programs. There are two ways to approach land conservation goals: acres and policy. The Chesapeake 2000 agreement has a goal of Maryland preserving 1,241,605 acres by 2010. At the end of FY 2003, 1,187,849 acres were protected, leaving 53,756 acres remaining to be protected to meet Maryland's goal.

The Department of Natural Resources bases its land conservation goals on methodology rather than acres. The Governor wants the acres acquired to be meaningful. His land preservation platform is clear:

- All state land conservation programs will identify the most critical areas for conservation and focus on permanently preserving Maryland's most important land resources. These areas include lands impacting the water quality and natural habitat of the Chesapeake Bay and its tributaries, the State's most important resource-based industries, lands necessary to the State's resource-based industries, and lands necessary to foster tourism, recreation, and Maryland's natural environment.
- State agencies also will focus stewardship and restoration programs on areas where the State has made significant investments in land conservation.
- Easement acquisition guidelines will be developed in consultation with local governing bodies to identify the best agricultural and forestry lands of the State.

Within the Department of Natural Resources there are four Programs that are directly linked to the enactment of this policy; Program Open Space, the Heritage Conservation Fund, GreenPrint, and the Rural Legacy Program. Each of these Programs supports the Governor's policy in its own distinctive manner. Program Open Space for instance, has a broad scope of responsibility, addressing the Department of Natural Resources' land management and natural resource priorities. The Heritage Conservation Fund protects those habitats of critical importance to the State's Threatened and Endangered Species. GreenPrint conserves those remaining land areas of the State that are of ecological significance. The Rural Legacy Program focuses its conservation efforts on those areas of the State that are of natural resource significance to local government while meeting, at a minimum, conservation thresholds prescribed by the State.

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# PROGRAM OPEN SPACE

## Acquisition & Local Program

(Statewide)

### ISSUES

#### 1. Program Open Space Affected by Cost

##### Containment Again

The cost containment measures imposed in fiscal years 2002 through 2004 and the proposed fund transfer legislation in FY2005 would divert about \$189,260,444 in transfer tax revenues to the General Fund. (see attached chart). Since the beginning of POS in 1970 through FY2004, 40.1% of all transfer tax funds (\$757,776,936) will have been diverted to the General Fund. However, \$282,805,000 in bond funds have been authorized during this same period to make up for the diverted transfer tax funds (37.3%). During periods of fiscal deficits, Program Open Space funding is often used to fund other priorities in the State. Despite these periods, POS is a wildly successful land preservation program that has protected over 4% of the land in the State, or 250,716 acres.

#### 2. Ensuring POS Funds are used

Chapter 153, Acts of 2003 would cause the Department of Natural Resources' (DNR) land conservation and recreation programs to lose approximately \$4.5 million in unused prior year appropriations as of June 1, 2004, with additional losses possible in subsequent years. This law was enacted to ensure that the State did not accumulate outstanding debt obligations for projects that no longer were viable. Unfortunately, the language in the law also included DNR's capital programs. DNR's programs should not have been included because funding appropriated to these programs is not provided on a project-by-project basis. They are instead appropriated based on the State transfer tax revenue and a predetermined allocation formula. These funds are appropriated to programs and not projects. Many of the projects funded through these programs must accumulate mul-

tipl year appropriations in order to obtain their estimated costs. This is not the case in those projects for which this law was intended. They would be appropriated the necessary funds to complete the specific project and thus would be expected to complete the project in a timely manner.

Rural Legacy encumbers all grant funds within the year the funds are appropriated. Grants are awarded to sponsors for a 12-month period and must be spent within that timeframe. The FY2003 law will have no adverse impact on Rural Legacy funds.

Late in 2003 the Joint Subcommittee on Program Open Space and Agricultural Land Preservation was made aware of the threat to DNR's land conservation and recreation programs posed by this new statute. The Committee expressed its concern and offered to support corrective legislation. Senator Middleton has filed SB 713 - "State Finance - State Projects or Programs - Funding" during this legislative session to address this issue.

### RECOMMENDED ACTIONS

1. Add language that would change the allocation of State and Local Program Open Space (POS) general obligation (GO) bond funding, so that two-thirds, or \$10.0 million is directed to POS - Local Program and one-third or \$5.0 million is directed to POS - State Programs.

**Oppose. Land preservation in Maryland is a joint venture between State and Local governments. It serves no purpose to reduce the funding for local programs to give POS a small amount. Both programs preserve land.**

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## PROGRAM OPEN SPACE

Critical Maintenance Projects and  
Capital Development  
(Statewide)

### ISSUES

None

### RECOMMENDATIONS

#### 1. Concur with Governor's Allowance

The increased commitment to CM funding in FY2004 and FY2005 has resulted in the first decrease in outstanding maintenance needs since the fund was initiated from \$16 million to \$14 million.

#### Ocean City Beach Maintenance Local Share (Worcester County)

### ISSUES

None

### RECOMMENDATIONS

#### 1. Concur with Governor's Allowance

The annual contribution to the Ocean City Beach Maintenance Fund remains at the same level as the past six fiscal years, in accordance with the State's legal commitment. A major periodic nourishment project is scheduled for FY2006.

## WATERWAY IMPROVEMENT PROGRAM

(Statewide)

### ISSUES

#### 1. Recommendations for Changing the Waterway Improvement Fund

DNR has worked closely with the Special Funds Workgroup over the past year and intends to follow the workgroup's recommendations concurrent with the enactment of House Bill 538/Senate Bill 452.

However, DNR would object to DLS's recommendation that the Budget Reconciliation Act be amended to include language codifying a step-down in administrative costs. The Special Fund workgroup agreed that budget bill language should be used to convey the intent of the workgroup, not an amendment to the Waterway Improvement Fund statute.

### RECOMMENDED ACTIONS

#### 1. Concur with Governor's allowance

The fiscal year 2005 allowance provides \$12,450,000 for waterway projects around the State.

# Shore Erosion Control Loan Program

(Statewide)

## ISSUES

None

## RECOMMENDATIONS

### 1. Concur with Governor's Allowance

\$500,000 of Shore Erosion Revolving Loan Fund will be made available for grants and loans to protect shoreline from erosion.

#### DISTRIBUTION OF PROGRAM OPEN SPACE TRANSFER TAX 04 BRFA compared with SB509 General Fund Transfers

	FY05 BUDGET 2003 BRFA (SB 657)	with SB509 Transfers	FY2006 Income	TOTALS
<b>Transfer Tax and Prior attainment</b>				
Estimated Total TransferTax	\$132,797,000	\$132,797,000		
Estimated Over/Under Attainment from FY2003		\$25,374,354		
Estimated Over/Under Attainment from FY2004			\$41,886,000	
Subtotals revenue:		\$158,171,354	\$41,886,000	
Attainment adjustment to Gen. Fund (from FY03)	(\$25,374,354)	(\$25,374,354)		
Attainment adjustment to Gen. Fund (from FY04)			(\$41,886,000)	to FY05 GenFnd
04 BRFA Reduction & SB509 transfers	(\$66,398,500)	(\$122,000,090)		
Subtotals to General Fund:	(\$91,772,854)	(\$147,374,444)	(\$41,886,000)	(\$189,260,444)
TOTAL for Programs		\$10,796,910		
TOTAL to General Fund				(\$189,260,444)

	FY 2005 with 2003 BRFA Trans. Tax (50% of est.tax)	FY 2005 with SB125 Trans. Tax	\$ Change Total	% Change
<b>Distribution of Transfer Tax Funds</b>				
Total for Programs & Administration	\$66,398,500	\$10,796,910	(\$55,601,590)	-83.7%
Administration	\$3,983,910	\$3,983,910	\$0	0.0%
Heritage Finance Auth.	\$1,000,000	\$1,000,000	\$0	0.0%
Local Grants	\$22,952,282	\$0	(\$22,952,282)	-100.0%
State acquis.	\$7,870,245	\$0	(\$7,870,245)	-100.0%
Balt.City	\$1,500,000	\$0	(\$1,500,000)	-100.0%
Capital Projects	\$6,206,180	\$5,813,000	(\$393,180)	-6.3%
Heritage C. Fund	\$1,123,463	\$0	(\$1,123,463)	-100.0%
Rural Legacy	\$11,120,730	\$0	(\$11,120,730)	-100.0%
Green Prints DNR	\$0	\$0	\$0	0.0%
Community Parks	\$0	\$0	\$0	0.0%
Sub total DNR	\$55,756,810	\$10,796,910	(\$44,959,900)	-80.6%
MALPF	\$10,641,688	\$0	(\$10,641,688)	-100.0%
MALPF Green Prints	\$0	\$0	\$0	0.0%
Sub total MALPF	\$10,641,688	\$0	(\$10,641,688)	-100.0%

SB509analysisC hgd 2/18/04